

Message Text

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S E C R E T SECTION 01 OF 06 BONN 10795

E.O. 11652: GDS

TAGS: OVIP (SCHMIDT, HELMUT), US, GW

SUBJECT: OFFICIAL VISIT OF CHANCELLOR SCHMIDT TO THE US:
SCHMIDT'S AND GENSCHER'S GOALS FOR THE VISIT

REFS: A. STATE 134951 B. STATE 146725 C. BONN 10477

1. A CLOSE WORKING PARTNERSHIP WITH THE UNITED STATES GOVERNMENT IS ESSENTIAL TO THE SCHMIDT/GENSCHER COALITION GOVERNMENT FOR SEVERAL REASONS. IT FACILITATES THE COORDINATION OF POLICY DECISIONS ON ISSUES OF IMPORTANCE TO BOTH GOVERNMENTS. IT PROVIDES THE INSIGHTS INTO US THINKING WHICH THE FEDERAL CHANCELLOR CONSIDERS ESSENTIAL FOR HIS OWN PLANNING. AND IT ENHANCES THE DOMESTIC POLITICAL POSITION OF THE COALITION LEADERS. CHANCELLOR SCHMIDT AND FOREIGN MINISTER GENSCHER WILL THUS HOPE, IN CONTINUING DURING THEIR JULY VISIT TO WASHINGTON THE DIALOGUE WHICH WAS BEGUN IN LONDON, TO DEVELOP CLOSER UNDERSTANDING AND A MORE INTIMATE RELATIONSHIP WITH THE ADMINISTRATION.

2. PARTNERSHIP WITH THE US IS A SINE QUA NON OF FRG POLITICAL LIFE, AND THE CHANCELLOR WOULD IGNORE THIS POLITICAL RULE ONLY AT HIS OWN PERIL. THEREFORE, IT WILL BE IMPORTANT FOR HIM THAT THIS VISIT BE PERCEIVED IN GERMANY AS A REAFFIRMATION OF THE ALREADY CLOSE TIES BETWEEN THE TWO COUNTRIES. WHILE THERE IS A CERTAIN
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AMOUNT OF RIVALRY BETWEEN SCHMIDT AND GENSCHER, WE DO NOT ANTICIPATE THAT THIS FACTOR WILL PLAY A ROLE DURING THE VISIT. RATHER, WE BELIEVE THAT BOTH SCHMIDT AND GENSCHER WILL HAVE A STRONG INTEREST IN CONVEYING THE IMPRESSION OF A SUCCESSFUL VISIT TO THE GERMAN PUBLIC AND WILL WORK TOGETHER TO ACHIEVE THAT END.

3. THE CHANCELLOR WILL HAVE ON HIS MIND THE CURRENT CRITICAL TONE OF SOVIET COMMENTARY CONCERNING THE US ADMINISTRATION, AS WELL AS BREZHNEV'S PROBINGS WITH GENSCHER AND WITH GISCARD FOR INFORMATION CONCERNING THE PRESIDENT. HE WILL WISH TO OBTAIN THE PRESIDENT'S OWN VIEWS ON THE STATE OF US-SOVIET RELATIONS AND TO DISCUSS WITH THE PRESIDENT THE GENERAL STATE OF EAST-WEST RELATIONS. THE TONE OF US-SOVIET RELATIONS WILL, IN THE CHANCELLOR'S VIEW, HAVE AN IMPORTANT EFFECT ON SUCH PENDING MATTERS AS CSCE, MBFR AND SALT, AS WELL AS FRG-SOVIET BILATERAL RELATIONS AND THE FORTHCOMING VISIT BY BREZHNEV TO BONN.

4. WE AGREE WITH VON STADEN (STATE 149820) THAT THE CHANCELLOR WILL GIVE HEAVY EMPHASIS TO ECONOMIC ISSUES, FOR THIS WOULD BE CONSISTENT WITH HIS CHARACTER AND PROCLIVITIES. THE CHANCELLOR'S FIRST ORDER OF BUSINESS WILL MOST LIKELY BE TO EXPLAIN AND JUSTIFY THE DIRECTION OF PRESENT GERMAN ECONOMIC POLICY, THUS TRYING TO HEAD OFF ANY CRITICISM ON THIS SCORE. TRADE ISSUES WILL BE HIGH ON THE AGENDA FOR BOTH SCHMIDT AND GENSCHER. THEY CAN BE EXPECTED TO EMPHASIZE THAT EVERY EFFORT MUST BE MADE TO KEEP PROTECTIONIST TENDENCIES THROUGHOUT THE INDUSTRIALIZED WORLD UNDER CONTROL. IN GIVING HIS EVALUATION OF THE NORTH/SOUTH DIALOGUE, THE CHANCELLOR MAY WELL EXPRESS CONCERN THAT THE US IS GOING TOO FAR IN
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ACCEDING TO LDC DEMANDS. GENSCHER WILL STAY AWAY FROM GLOBAL ECONOMIC POLICY ISSUES, BUT WILL WANT TO FOCUS ON THE NORTH/SOUTH DIALOGUE (FOR WHICH THE FOREIGN OFFICE HAS PRIMARY RESPONSIBILITY). GENSCHER MAY DIFFER SOMEWHAT FROM THE CHANCELLOR IN SUPPORTING THE NEED FOR A MORE FORTHCOMING STANCE BY THE WEST.

5. SET FORTH BELOW IS A DISCUSSION OF THE ATTITUDES OF THE CHANCELLOR AND THE FOREIGN MINISTER ON SPECIFIC TOPICS THAT MAY ARISE DURING THEIR VISIT.

A. SECURITY ISSUES

-- NUCLEAR PROLIFERATION

CHANCELLOR SCHMIDT WILL CERTAINLY WISH TO DISCUSS WITH THE PRESIDENT SEVERAL ASPECTS OF NON-PROLIFERATION POLICY, AND WILL UNDOUBTEDLY MENTION THE FRG NUCLEAR

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EXPORT POLICY DECLARATION. SCHMIDT WOULD APPRECIATE THE PRESIDENT'S CURRENT VIEWS ABOUT THE ORGANIZATION OF THE INTERNATIONAL NUCLEAR FUEL CYCLE EVALUATION (INFCE) AND THE IMPLEMENTATION OF ITS CONCLUSIONS. WITH SOME GERMAN SUPPORT, THE FRENCH ARE SEEKING A SECOND SUMMIT EXPERTS' MEETING. REGARDLESS OF THE RESOLUTION OF THIS IMMEDIATE PROBLEM, A SCHMIDT-CARTER ENDORSEMENT OF THE INFCE WOULD HELP ITS ADAPTATION TO ACHIEVE US OBJECTIVES. WE BELIEVE SCHMIDT WILL WISH TO AVOID MAKING ANY COMMITMENT WHICH COULD JEOPARDIZE THE FRG'S DOMESTIC REPROCESSING AND FAST BREEDER REACTOR PROGRAMS OR ITS RELATIONS WITH THE FRENCH.

THE FRG SEEMS TO BELIEVE THAT US PRESSURE AGAINST TRANSFER OF SENSITIVE NUCLEAR TECHNOLOGY TO BRAZIL HAS EASED. GENSCHER EXPLAINED TO THE SECRETARY IN PARIS (SECTO 7015) THAT EXISTING CONTRACTS WILL BE HONORED. WE BELIEVE IT ESSENTIAL THAT THE PRESIDENT SHARE HIS VIEWS FRANKLY WITH THE CHANCELLOR, INCLUDING THE URENCO ASPECT.

THE CHANCELLOR MAY BE LOOKING FOR ASSURANCE FROM THE PRESIDENT THAT THE US WILL REMAIN A RELIABLE NUCLEAR SUPPLIER. IN GENERAL, THE FRG IS MOST CONCERNED ABOUT US PLANS TO RENEGOTIATE THE US-EURATOM SUPPLY AGREEMENT
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AND ABOUT THE NEW RESTRICTIONS ON THE SUPPLY OF HIGHLY-

ENRICHED URANIUM FOR GERMAN RESEARCH REACTORS AND FOR THE THORIUM-CYCLE HIGH TEMPERATURE REACTOR PROGRAM. THE CHANCELLOR MAY ALSO TAKE ADVANTAGE OF HIS VISIT TO SHARE HIS VIEWS WITH THE PRESIDENT ON THE DOMESTIC NUCLEAR POLICY DEBATE IN THE FRG. HE WILL PROBABLY SEEK TO JUSTIFY WHY REPROCESSING HAS BECOME A NECESSARY PRECONDITION FOR NUCLEAR POWER IN THE FRG AND WHY FAST BREEDER REACTORS ARE REQUIRED IN NATIONS WITHOUT ADEQUATE ALTERNATE ENERGY SOURCES.

-- MBFR

IT IS DIFFICULT TO SAY WHAT THE CHANCELLOR ACTUALLY BELIEVES ABOUT THE CURRENT STATE OF THE MBFR NEGOTIATIONS AND WHERE THEY SHOULD BE HEADING. AS ONE OF THE FATHERS OF MBFR, WE ASSUME SCHMIDT FOLLOWS DEVELOPMENTS IN VIENNA AS CLOSELY AS TIME PERMITS. HOWEVER, IT APPEARS THAT THE CHANCELLOR HAS THUS FAR PERMITTED GENSCHER TO SHAPE FRG POLICY ON MBFR.

DURING AND SINCE LAST FALL'S ELECTION CAMPAIGN, SCHMIDT HAS PUBLICLY EXPRESSED THE BELIEF THAT A POLITICAL IMPULSE IS REQUIRED TO MOVE THE TALKS FORWARD IN VIENNA. HE HAS ALSO SAID THE FRG WAS WORKING ON ITS OWN PROPOSALS TO OVERCOME THE STALEMATE IN MBFR, BUT THAT IT WAS TOO EARLY TO DISCUSS THEM PUBLICLY AS LONG AS SALT II WAS NOT SUCCESSFUL. FINALLY, SCHMIDT HAS INDICATED HE WANTED TO TALK TO PRESIDENTS CARTER AND BREZHNEV FIRST REGARDING THE SUBSTANTIVE SHAPE OF THE NEGOTIATIONS. FOREIGN OFFICE MBFR EXPERTS HAVE IN THE PAST TRIED TO CONVINCE SCHMIDT THAT THE NEGOTIATIONS REQUIRE THE ESTABLISHMENT OF AN OVERALL POLITICAL FRAME-
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WORK, COMPARABLE TO THAT OF VLADIVOSTOK. WE DO NOT KNOW WHETHER THE CHANCELLOR HAS ACCEPTED THIS VIEW, BUT BELIEVE IT POSSIBLE HE MIGHT WISH TO DISCUSS IT WITH THE PRESIDENT.

THERE HAS BEEN NO TALK OF "NEW POLITICAL INITIATIVES" FROM GENSCHER, WHO STEADFASTLY SUPPORTS THE ALLIANCE POSITION IN THE BELIEF THAT IT SAFEGUARDS GER-

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MAN INTERESTS. HE CONSTANTLY REFERS TO THE NEED FOR
MAINTAINING PARITY AND COLLECTIVITY AS THE ULTIMATE GOALS
OF THE NEGOTIATION.

WE THINK IT LIKELY THE CHANCELLOR WILL WISH TO
OBTAIN THE PRESIDENT'S VIEW ON THE FUTURE DIRECTION OF
THE NEGOTIATIONS AND THEIR RELATIONSHIP TO SALT, WHILE
GENSCHER WILL BE SEEKING US REAFFIRMATION OF THE
COLLECTIVITY PRINCIPLE AND OF APPROXIMATE PARITY AS
ALLIANCE GOALS.

-- SALT AND THE CRUISE MISSILE

THE CHANCELLOR WILL BE MOST INTERESTED IN RECEIV-
ING A COMPLETE REPORT FROM THE PRESIDENT REGARDING THE
STATUS OF THE SALT TALKS. THE CHANCELLOR AND OTHER SEN-
IOR FRG OFFICIALS BELIEVE THAT IT IS IN THE WESTERN
INTEREST TO CONSTRAIN STRATEGIC WEAPONS DEVELOPMENTS.

THE CRUISE MISSILE ISSUE HAS, HOWEVER, COMPLI-
CATED THE SITUATION FOR THE FRG. SENIOR GERMAN OFFICIALS
BELIEVE THAT FUTURE CRUISE MISSILE DEPLOYMENT OPTIONS FOR
NATO'S DEFENSE STRATEGY HAVE NOT YET BEEN SUFFICIENTLY
STUDIED AND, THEREFORE, THAT NO SUCH OPTIONS
SHOULD BE GIVEN UP BY US IN SALT. THE GERMANS ARE ALSO
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CONCERNED THAT, SHOULD THE US ACCEPT SHORT RANGE LIM-
ITATIONS ON CRUISE MISSILES, SOVIET ARGUMENTS FOR
INCLUDING FBS WOULD BE STRENGTHENED, SINCE SUCH SYSTEMS
ARE COMPARABLE TO CRUISE MISSILES. THE GERMANS ARE CON-
CERNED THAT THE SALT NEGOTIATIONS COULD SLIDE OVER INTO

NEGOTIATIONS ABOUT FBS IF CRUISE MISSILE LIMITATIONS
BECAME TOO SEVERE.

THE CHANCELLOR BELIEVES IN THE IMPORTANCE OF A
BALANCE OF FORCES (HE WROTE A BOOK ON THE SUBJECT), AND
HE MIGHT EXPRESS CONCERN ABOUT WESTERN ABILITY TO
REDRESS THE SOVIET ADVANTAGE VIS-A-VIS WESTERN EUROPE
IN MEDIUM/INTERMEDIATE-RANGE SYSTEMS, SUCH AS THE SS-20,
IF SALT II FORECLOSED THAT OPTION BY RESTRICTING CRUISE
MISSILE CAPABILITIES. THE CHANCELLOR WOULD HOPE TO MAKE
THE PRESIDENT AWARE OF EUROPEAN AND FRG CONCERNS ABOUT
SALT AND THE IMPORTANCE OF INSURING THAT A SALT II AGREE-
MENT, THROUGH ITS NON-TRANSFER AND NON-CIRCUMVENTION
CLAUSES, NOT BE DISADVANTAGEOUS TO THE ALLIANCE.

-- ARMS TRANSFERS

ALTHOUGH IT IS UNLIKELY THE CHANCELLOR WILL RAISE
THE ARMS TRANSFER ISSUE, HE MIGHT SEEK THE PRESIDENT'S
EXPLANATION OF HIS POLICY ON RESTRAINING SUCH TRANSFERS.
THE FRG FOLLOWS THE MOST RESTRICTIVE ARMS TRANSFER
POLICY OF ANY MAJOR EXPORTER, AND THE CHANCELLOR MAY
BRING THIS FACT TO THE PRESIDENT'S ATTENTION. HOWEVER,
THE FRG IS UNDER CONTINUING PRESSURE FROM LABOR AND
MANAGEMENT TO EXPAND ARMS EXPORTS FOR THE PURPOSES OF
PROVIDING JOB SECURITY AND UTILIZING EXCESS PLANT CAPA-
CITY.

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THE ARGUMENT ABOUT THE NEED TO PROTECT JOBS WAS
APPARENTLY GOVERNING IN THE FRG DECISION LAST FEBRUARY
TO AUTHORIZE AN EXPORT CREDIT TO INDONESIA FOR THE
PURCHASE OF TWO SUBMARINES TO BE BUILT AT A KIEL SHIP-
YARD FACED WITH THE PROBLEM OF LAYING OFF WORKERS UNLESS
NEW CONTRACTS WERE SECURED. THE FRG ARGUED THAT THIS
DECISION WAS DRIVEN BY THE GOVERNMENT'S EMPLOYMENT POLICY
AND REPRESENTED A "ONE-TIME EXCEPTION" TO THE GENERAL
RULE ABOUT LIMITING SUCH EXPORTS. ACCORDINGLY, WE WOULD
EXPECT SCHMIDT TO INDICATE HIS WILLINGNESS TO COOPERATE
WITH THE US AND OTHERS IN SEEKING RESTRAINT IN TRANS-
FERRING CONVENTIONAL ARMS.

B. ECONOMIC ISSUES:

-- GERMAN ECONOMIC EXPANSION AND CURRENT ACCOUNT
SURPLUS

WE CONTINUE TO DOUBT THAT THE FRG WILL MEET ITS
"ROUGHLY FIVE PERCENT" REAL GNP GROWTH TARGET FOR 1977

OR THAT THERE WILL BE A SUBSTANTIAL REDUCTION IN THE
GERMAN CURRENT ACCOUNT SURPLUS DURING 1977 FROM THE DM
7.4 BILLION SURPLUS ACHIEVED IN 1976.

THE YEAR IS NOW HALF OVER, AND THE FRG WOULD BE
HARD PUT TO TAKE ADDITIONAL MEASURES IN TIME TO AFFECT

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SUBSTANTIALLY 1977 GROWTH EVEN IF IT AGREED IT WAS
FALLING SHORT OF THE TARGETS.

THE CRUCIAL DECISIONS ON TAX AND BUDGET POLICY FOR
1978 WILL BE MADE IN THE COMING WEEKS. IT IS THESE
DECISIONS THAT MATTER AND IN THESE AREAS THAT ANY LOW-
KEY US URGING MIGHT HAVE A USEFUL IMPACT.

-- THE NORTH-SOUTH DIALOGUE

CHANCELLOR SCHMIDT WILL PROBABLY WANT TO EMPHASIZE
THE NEED FOR CLOSE BILATERAL CONSULTATION ON THE VARIOUS
ACTIVITIES WHICH WILL COMPRISE THE FOLLOW-UP TO CIEC.
THE FRG DOES NOT SEEM TO SHARE OUR RELATIVELY FAVORABLE
APPRAISAL OF THE CIEC OUTCOME, WITH SENIOR GERMAN OFFIC
OFFICIALS HAVING STATED PUBLICLY GERMAN DISAPPOINTMENT
WITH THE EXERCISE. THE FRG WILL PARTICIPATE IN CONSUL-
TATIONS IN THE OECD, THE UN AND ELSEWHERE. THE GERMANS
WILL ALSO BE INTERESTED IN STRENGTHENED BILATERAL CON-
TACTS OR CONSULTATIONS IN SMALL GROUPS WHERE ALL PARTICI-
PANTS SHARE OUR GOALS.

SCHMIDT WILL CERTAINLY WANT TO DISCUSS COMMODITY FUNDS ARRANGEMENTS AND EXPORT EARNINGS STABILIZATION, IN WHICH HE HAS TAKEN A PERSONAL INTEREST. THE FRG CON-
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TINUES TO BE LESS THAN ENTHUSIASTIC ABOUT COMMODITY AGREEMENTS AND THE COMMON FUND. SCHMIDT MAY ALSO WISH TO DISCUSS AID POLICY IN GENERAL, INCLUDING ASKING FOR AN APPRAISAL OF THE CURRENT CONGRESSIONAL ATTITUDE TOWARDS AN INCREASE IN OFFICIAL DEVELOPMENT ASSISTANCE, ESPECIALLY THE SPECIAL ACTION PLEDGE. SCHMIDT MAY ALSO WANT TO CONSIDER WHETHER THE ENERGY DIALOGUE SHOULD BE CONTINUED AT ALL AND, IF SO, IN WHAT FORUM.

-- AID TO PORTUGAL

WE SUGGEST THAT PRESIDENT CARTER THANK THE CHANCELLOR FOR GERMANY'S GENEROUS PARTICIPATION IN THE PORTUGUESE AID PACKAGE.

-- TRADE POLICY

SCHMIDT IS WORRIED ABOUT THE STRENGTHENING OF PROTECTIONIST FORCES ON BOTH SIDES OF THE ATLANTIC. STEEL IS THE MOST OBVIOUS PROBLEM CASE, WITH THE US STEEL COMPLAINT IN PARTICULAR HAVING SERIOUS IMPLICATIONS FOR ATLANTIC TRADE IN GENERAL. GERMANS FEAR THAT PROTECTIONISM IS GROWING IN OTHER IMPORTANT SECTORS AS WELL, BEARING IN MIND THE US AND UK ACTIONS AGAINST JAPANESE TV'S AND THE RECENT FRENCH RESTRICTIONS ON TEXTILES. SCHMIDT'S CONCERN IS NOT MOTIVATED SOLELY BY THE DIRECT IMPACT PROTECTIONIST PRESSURES IN THE US MAY HAVE ON GERMAN EXPORTS. (THE US, AFTER ALL, IS ONLY THE FRG'S FIFTH LARGEST CUSTOMER.)

SCHMIDT IS EQUALLY CONCERNED THAT THE PROTECTIONIST FORCES HE PERCEIVES EMERGING WITHIN THE COMMUNITY WILL BE STIMULATED BY THE PURSUIT OF PROTECTIONIST
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POLICIES ELSEWHERE. HE MAY PRESS UPON THE PRESIDENT THE NEED FOR A MORE FORCEFUL POSTURE IN DEFENDING A LIBERAL TRADING SYSTEM, BOTH IN THE US AND ELSEWHERE. IN THE COURSE OF THIS DISCUSSION, SCHMIDT CAN BE EXPECTED TO STRESS THE IMPORTANCE OF THE OUTCOME OF THE US STEEL CASE FOR THE WORLD TRADE ENVIRONMENT.

THE GERMANS HAVE ALSO BEEN DISAPPOINTED ABOUT THE SLOW PACE OF THE MTN'S. SCHMIDT VIEWS THE NEGOTIATIONS NOT ONLY IN TERMS OF THEIR INTRINSIC IMPORTANCE BUT AS A MEANS TO WARD OFF PROTECTIONIST FORCES. HE MIGHT BE PREPARED TO WORK FOR MODIFICATIONS IN COMMUNITY POSITIONS ON AGRICULTURE AND THE TARIFF REDUCTION FORMULA IN ORDER TO REACH A COMPROMISE AGREEMENT WITH THE US AND THUS GET THE NEGOTIATIONS MOVING. HE WILL BE UNDER NO ILLUSIONS THAT THIS WILL BE AN EASY TASK. IN ANY CASE, THE DISPOSITION OF THE FRG TO ASSUME A MORE ACTIVE ROLE COULD WELL BE INFLUENCED BY WHAT SCHMIDT IS TOLD IN WASHINGTON.

C. POLITICAL AND BILATERAL ISSUES

-- CSCE AND HUMAN RIGHTS

THE CHANCELLOR WILL WISH TO DISCUSS THE PRESI-

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DENT'S POSITION ON HUMAN RIGHTS, PARTICULARLY AS IT RELATES TO EAST-WEST RELATIONS IN GENERAL AND TO THE BELGRADE FOLLOW-UP CONFERENCE IN PARTICULAR. WHILE SUPPORTING THE ADMINISTRATION'S FORTHRIGHT STANCE FOR WORLDWIDE HUMAN RIGHTS, SCHMIDT IS ALSO FEARFUL OF A POSSIBLE EASTERN BACKLASH DURING THE BELGRADE CONFERENCE WHICH WOULD RUN COUNTER TO GERMAN INTERESTS. HIS VIEW IS THAT THERE IS NO REALISTIC ALTERNATIVE TO THE POLICY OF DETENTE AND THAT ONLY THROUGH DETENTE WILL IT

BE POSSIBLE TO SECURE MORE HUMAN RIGHTS.

AN AGGRESSIVE US CAMPAIGN IN BELGRADE ON HUMAN RIGHTS MIGHT, IN SCHMIDT'S VIEW, PREJUDICE FUTURE OPPORTUNITIES FOR ALLEVIATING HUMAN RIGHTS VIOLATIONS, ESPECIALLY IN EASTERN EUROPE. SCHMIDT PROBABLY BELIEVES THAT THE STEPPED-UP EMIGRATION OF ETHNIC GERMANS FROM EASTERN EUROPE IS ATTRIBUTABLE IN LARGE PART TO THE FINAL ACT AND THAT SUCH EMIGRATION WOULD SUFFER IF THE BATTLE LINES BETWEEN EAST AND WEST HARDENED AT BELGRADE. HE MAY THUS ARGUE THAT QUIET DIPLOMACY ON HUMAN RIGHTS MIGHT YIELD GREATER PRACTICAL BENEFITS FOR INDIVIDUALS, WHILE PRESERVING THE CLIMATE OF DETENTE WHICH HAS MADE SUCH PROGRESS POSSIBLE.

-- BERLIN AND INNER-GERMAN RELATIONS
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THE LONDON SUMMIT DECLARATION ON BERLIN WAS WARMLY RECEIVED IN THE FEDERAL REPUBLIC, WHERE BERLIN ISSUES ARE PROMINENTLY KEPT BEFORE THE PUBLIC AND OFTEN IMPACT ON THE CHANCELLOR'S DOMESTIC AND FOREIGN POLICY DECISIONS. THE CHANCELLOR MAY THUS EXPRESS HIS HOPE FOR CONTINUED US SUPPORT ON BERLIN. IF HE DOES, HE WILL PROBABLY HAVE IN MIND NOT JUST OUR SECURITY GUARANTEE -- ALTHOUGH THE GERMANS WERE PLEASED AND REASSURED BY THE REAFFIRMATIONS OF THIS GUARANTEE EARLY IN THE NEW ADMINISTRATION -- BUT OUR FIRMNESS ON OTHER ASPECTS OF THE BERLIN PROBLEM AS WELL:

-- HE WILL HOPE THAT WE WILL STAND FIRM IN REJECTING THE SOVIET DEMAND FOR TERMINATION OF OUR MILITARY FLAG PATROLS IN EAST BERLIN.

-- HE WILL WISH US TO CONTINUE TO ASSIST IN RESISTING SOVIET EFFORTS TO ERODE THE CLOSE TIES BETWEEN BERLIN AND THE FRG AND TO FEND OFF SOVIET ATTACKS ON THE ACTIVITIES OF THE FEDERAL INSTITUTES WHICH ARE LOCATED IN BERLIN.

-- HE WILL HOPE FOR OUR CONTINUED AGREEMENT THAT BERLIN MUST BE INVOLVED AS FULLY AS POSSIBLE IN ACTIVITIES OF THE EUROPEAN COMMUNITY. WITHOUT ALLIED AGREEMENT -- IN THE FACE OF STRONG SOVIET PROTESTS -- THAT BERLINERS COULD CONTINUE TO PARTICIPATE IN A DIRECTLY-ELECTED EUROPEAN PARLIAMENT, EVEN THOUGH THEY WILL BE INDIRECTLY CHOSEN, IT WOULD HAVE BEEN DIFFICULT FOR THE FRG TO AGREE TO DIRECT ELECTIONS.

-- THE FRG IS ABOUT TO EMBARK ON A FRESH ROUND OF
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NEGOTIATIONS WITH THE GDR, ON THE BASIS OF A PACKAGE
OF PROPOSALS WHICH INCLUDES MANY MATTERS OF IMPORTANCE
FOR BERLIN AND THUS FOR THE US AS WELL. THE CHANCELLOR
WILL WANT OUR APPROVAL ON THOSE MATTERS AS

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THE NEGOTIATIONS UNFOLD.

IN EXPRESSING CONTINUED SUPPORT ON BERLIN ISSUES,
IT WOULD BE USEFUL FOR THE PRESIDENT ALSO TO REMIND THE
CHANCELLOR OF THE IMPORTANCE WE ATTACH TO CONTINUED
CLOSE CONSULTATION ON ALL BERLIN ISSUES BETWEEN THE FRG
AND THE THREE ALLIES, IN BONN AND AT HIGHER LEVEL
QUADRIPARTITE MEETINGS.

-- FOCUS ON EUROPE

THE CHANCELLOR WILL ALSO WISH TO DISCUSS WITH THE
PRESIDENT HIS CONCERNS ABOUT THE FUTURE OF EUROPE, GIVEN
THE CURRENT DOMESTIC POLITICAL SITUATIONS IN FRANCE AND
ITALY. THE GERMANS ARE MOST CONCERNED ABOUT THE
SITUATION IN FRANCE, AND THE FRG WILL DO ITS BEST TO
SUPPORT GISCARD BY AVOIDING ACTIONS WHICH WOULD CAUSE

DIFFICULTIES FOR HIM. SIMILARLY, THE FRG HAS TRIED TO BE AS HELPFUL AS POSSIBLE IN SUPPORTING ANDREOTTI.

WHILE THE SITUATIONS IN SPAIN AND PORTUGAL ARE ENCOURAGING, THE FRG BELIEVES THAT CONTINUED WESTERN ASSISTANCE IS REQUIRED IN ORDER TO PERMIT THE FLEDGLING DEMOCRATIC SYSTEMS TO TAKE ROOT. GERMAN POLITICAL PARTIES TOO HAVE PLAYED AN IMPORTANT ROLE IN
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STRENGTHENING TIES WITH THEIR SISTER PARTIES IN SPAIN AND PORTUGAL, AND THE GERMANS ARE LOOKED TO FOR GUIDANCE AND MATERIAL SUPPORT.

GIVEN THE FLUID POLITICAL SCENE IN EUROPE, IT APPEARS LIKELY THAT SCHMIDT AND GENSCHER WILL EXPRESS THEIR CONCERN ABOUT THE TROUBLE SPOTS, WHILE AT THE SAME TIME INDICATING FRG WILLINGNESS TO WORK TOGETHER WITH THE US TO STRENGTHEN DEMOCRATIC FORCES.

-- RFE/RL OPERATIONS

AS WE HAVE REPORTED SEPARATELY, THE CHANCELLOR HAS INDICATED THAT HE MAY WISH TO DISCUSS WITH THE PRESIDENT THE OPERATIONS IN THE FRG OF RADIO FREE EUROPE AND RADIO LIBERTY, AND HIS HOPE FOR GREATER CONSULTATIONS. STOESSEL

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To: STATE
Type: TE
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